

## Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-11 ISO-00 STRE-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 /104 W

----- 104260

R 111735Z MAR 76

FM USMISSION GENEVA

TO SECSTATE WASHDC 8676

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L GENEVA 1875

PASS STR FOR MIKE SMITH

E.O. 11652: GDS

TAGS: GATT, ETRD

SUBJ: TEXTILES: MEYNELL-SMITH MEETING MARCH 17

REF: (A) GENEVA 1704 (B) GENEVA 1852

1. ACCORDING MEYNELL, MAIN PURPOSE HIS WASHINGTON TEXTILE TALKS IS TO HAVE OPPORTUNITY HAVE TOUR D'HORIZON EXCHANGE VIEWS WITH U.S. COUNTERPARTS ON FUTURE OF MFA. WILL REGARD TALKS AS FIRST PHASE OF CONTINUING PROCESS CONSULTATION BETWEEN U.S. AND EC (AND OTHER MAJOR IMPORTING COUNTRIES) CO-ORDINATE APPROACH TO EXTENSION OF MFA.

2. HE WILL BRIEF U.S. OFFICIALS ON: A) CURRENT STATE OF EC'S TEXTILE NEGOTIATIONS AND EC'S FUTURE INTENTIONS IN THIS AREA; B) DISCUSS, WITH A VIEW TO JUSTIFYING, THE EC'S "PHASE-OUT" PROGRAMS, SEEK U.S. "UNDERSTANDING" EC'S PROBLEM AND, PROBABLY, TRY OBTAIN U.S. SUPPORT IN FUTURE TSB DISCUSSION THESE PROGRAMS; C) WILL EXPLAIN THAT EC'S  
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PERFORMANCE UNDER MFA HAS BEEN FAR BETTER THAN EITHER

U.S. AND EXPORTING COUNTRIES WERE WILLING ADMIT; D) WILL ASSERT THAT U.S. REP'S POSITION IN ANY TSB INTERPRETATION MFA PROVISIONS APPEARS BE ALMOST ALWAYS ON SIDE DEVELOPING EXPORTING COUNTRIES, THEREBY PUTTING EC IN UNFAVORABLE LIGHT AND, IN EFFECT, INCITING DEVELOPING COUNTRIES TO COMPLAIN OF EC'S PERFORMANCE; D) HE WILL STRONGLY SUGGEST THAT U.S. AND EC "HAVE TO STAND TOGETHER" TO GET MFA EXTENDED; AND, F) WILL INFORM THAT EC HAS NO PROSPECT COMPLETING ITS SCHEDULED NEGOTIATIONS BY MAR 31 (END OF ONE-YEAR ART 2 EXTENSION PERIOD) AND WILL ASK U.S. SUPPORT IN TSB WHEN THIS QUESTION IS BROUGHT BEFORE IT AS IT IS CERTAIN TO BE.

3. CONNECTION POINT A) ABOVE MEYNELL MAY INFORM THAT EC HAS DECIDED NEGOTIATE WITH ROMANIA AND YUGOSLAVIA BUT WILL CONTINUE CONTROL IMPORTS FROM OTHER STATE TRADING COUNTRIES UNDER PROTOCOLS OF ACCESSION TO GATT. THIS DECISION IS CONTRARY TO EC STATEMENT MADE LAST YEAR OF INTENT TO BRING ALL TEXTILE RESTRICTIONS UNDER PROVISIONS MFA SAID STATEMENT HAVING BEEN CIRCULATED TO PARTICIPATING COUNTRIES INCLUDING THOSE NOW AFFECTED BY THIS DECISION. WE CAN EXPECT THAT THIS DECISION WILL PROVOKE LOUD PROTEST BY POLES, HUNGARIANS AND CZECHS AT NEXT TC MEETING.

4. RE POINT B) ABOVE: EC'S "PHASE-OUT PROGRAMS" IF BROUGHT BEFORE TSB FOR RECOMMENDATION ARE CERTAIN TO BE FOUND INCONSISTENT WITH PROVISIONS OF ART 2 AND TO PRODUCE A RECOMMENDATION THAT THEY BE TERMINATED. THIS IS BY FAR WEAKEST POINT IN EC PERFORMANCE AND HAS PRODUCED AND WILL PRODUCE CONSIDERABLY MORE EXPORTING COUNTRY DISSATISFACTION WITH MFA OPERATION THAN ANY OTHER STEP TAKEN BY ANY OTHER IMPORTING COUNTRY. IT WAS TAKEN DESPITE PRIOR ADVICE FROM TSB THAT IT WOULD BE DEEMED AS INCONSISTENT WITH MFA AND, MOREOVER, HAS BEEN POORLY HANDLED BY EC NEGOTIATORS, IN THAT PAKISTAN AND INDIA HAVE FORMALLY NOTIFIED TSB THAT THEY WERE NOT INFORMED OF EC INTENT UNTIL AFTER "SELECTIVE" BILATERALS WERE SIGNED. HONG KONG, BRAZIL AND JAPAN WILL NOT SIGN BILATERALS UNTIL AGREEMENT IS REACHED ON CONTENTS OF EC'S PHASE-OUT PLANS FOR THEM. INDIA AND HONG KONG, HOW-

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EVER, ARE PRESENTLY NEGOTIATING WITH EC ON THIS POINT AND U.S. REP SUSPECTS WILL REACH PRAGMATIC UNDERSTANDING WITH EC PROVIDED EC AND PAKISTAN CAN SETTLE THEIR DISPUTE WITHOUT FINAL CONFRONTATION IN TSB.

5. RE POINT C) ABOVE: MEYNELL WILL PROBABLY BRING STATISTICAL DATA SHOWING MARKED INCREASE IN ACCESS TO EC MARKET AS RESULT OF EC'S LIBERALIZATION UNDER MFA.

MEYNELL TOLD U.S. REP THAT HE AND OTHER EC REPS WERE AMAZED MORE THAN SOMEWHAT IN READING REPORT OF RECENT LABOR-MANAGEMENT MEETING TO NOTE STATEMENTS BY POLANSKY AND ANGEVINE TO EFFECT "EC HAD DONE PRACTICALLY NOTHING BY WAY OF LIBERALIZING UNDER MFA." SINCE THESE REPORTS ARE IN PUBLIC DOMAIN, MEYNELL SAID SUCH STATEMENTS WERE "SIMPLY MISCHIEVOUS." HE WILL PROBABLY MENTION THIS IN MEETING. U.S. REP TOLD MEYNELL WASHINGTON WOULD UNDOUBTEDLY WELCOME PRESENTATION OF EVIDENCE OF SUBSTANTIAL LIBERALIZATION BY EC.

6. ANENT POINT D): MEYNELL TOLD U.S. REP THAT WHILE HE RECOGNIZED THAT EC AND U.S. HAD TO DO "A CERTAIN AMOUNT OF PILLOW FIGHTING" BEFORE TSB, HE THOUGHT THAT, IN CASE OF EC-PAK DISPUTE AND IN DISCUSSIONS EC PHASE-OUT PROGRAM IN GENERAL, U.S. REP "HAD PUT A FEW RAZOR BLADES IN HIS PILLOW." CAN ONLY SURMISE THAT PRESSURE U.S. REP HAS CONTINUALLY PUT ON EC TO GET ON WITH MEETING ITS MFA OBLIGATIONS IS BEGINNING TO HURT. U.S. REP REPLIED TO THIS WITH PIOUS ASSERTION THAT HE, AS TSB REP, WAS MERELY CALLING THEM AS HE SAW THEM. U.S. REP WOULD HOPE, IF THIS QUESTION IS RAISED BY MEYNELL, SOMEONE WILL ASK HIM TO IDENTIFY THE "RAZOR BLADES."

7. ON THE "STAND TOGETHER" PITCH, POINT E) ABOVE, WOULD SUGGEST THAT EVERY EFFORT BE MADE WITH MEYNELL FIND SOME COMMON GROUND WE CAN BOTH STAND ON. HE IS RIGHT ABOUT THIS, IN THAT EXTENSION OF THE MFA COULD PROVE DICEY INDEED IF U.S. AND EC CAN'T AGREE ON WHAT NEEDS BE DONE AND TACTICS TO DO IT.

8. MY VIEW IS THAT A REQUEST TO TSB BY EC FOR  
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ANOTHER "TIME EXTENSION" WILL BE GRANTED BUT CIRCUMSCRIBED ON A CASE BY CASE BASIS. WHILE THERE IS NO PROVISION IN MFA FOR A SECOND EXTENSION, TSB WILL SIMPLY HAVE TO ACCEPT FACTS OF LIKE AND AUTHORIZE SUCH AN EXTENSION. U.S. REP CAN SEE NO OTHER VIABLE COURSE. BELIEVE U.S. SUPPORT OF EC'S EXTENSION OVERTURE IN TSB CAN BE EXTENDED WITHOUT LOSS CREDIBILITY AND, THEREFORE MEYNELL COULD AND SHOULD BE SO INFORMED. U.S. REP, HOWEVER, WOULD APPRECIATE BEING INFORMED OF PRECISE TERMS OF EC APPROACH TO TSB BEFORE FINAL COMMITMENT OF U.S. SUPPORT BE GIVEN.

9. U.S. REP WAS OF IMPRESSION THAT MEYNELL WAS BOTH DEPRESSED AND WORRIED OVER OBVIOUS ANTICIPATED INTERNATIONAL DIFFICULTIES INVOLVED IN BRINGING EC'S MFA PER-

FORMANCE TO POINT WHERE IT WOULD NO LONGER POSE THREAT  
TO MFA EXTENSION. FINALLY, MEYNELL IS STILL AFTER A  
"RECESSION CLAUSE" IN MFA RENEGOTIATION. HE SHOULD BE  
THOROUGHLY DISCOURAGED ON THIS POINT AS IT IS, IN U.S.  
REP'S VIEW, A NON-STARTER. TO SERIOUSLY PROPOSE SUCH  
A CLAUSE WOULD BE TO OPEN UP MFA TO COMPLETE RE-  
NEGOTIATION PROBABLY INVOLVING COSTS THAT U.S. COULD  
NOT MEET.DALE

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